

(J) FOREIGN TRADE

Overall Trends

Total domestic export earnings in 1968 recorded a substantial increase in rupee terms as compared with the preceding year and reached the highest level ever recorded. This increase in earnings helped to reverse sharply the declining trend witnessed since 1965. In comparing export and import values for 1968 with those of the preceding years, allowance should be made for the higher values resulting from the rupee devaluation of November 1967.

In the year 1968, the value of exports inclusive of re-exports was Rs. 2,035 million and that of imports Rs. 2,173 million,¹ resulting in a merchandise trade deficit of Rs. 138 million.

Export earnings, which had been improving steadily from the low levels reached in 1963, declined in the years 1966 and 1967. In 1968 the value of Ceylon's exports amounted to Rs. 2,035 million,² registering an increase of Rs. 345 million or 20 per cent over the value recorded for the year 1967.

The value of imports, which in 1967 had fallen steeply by Rs. 290 million or 14 per cent as compared with 1966, rose sharply in 1968 and at Rs. 2,173 million exceeded the previous year's level by Rs. 435 million or 25 per cent.

Thus despite the larger increase in the rupee value of exports the total trade position at the end of 1968 registered a merchandise trade deficit of Rs. 138 million. This compares with a trade deficit of Rs. 48 million in 1967. Table II (J) 1 provides data on Ceylon's foreign trade, as recorded in the Customs Returns.

TABLE II (J) 1
Foreign Trade 1964-68

Year	Rupees Million			Index Numbers (1958=100)				Terms of Trade
	Exports* (f.o.b.)	Imports (c.i.f.)	Balance of Trade	Volume		Price		
				All Exports	All Imports	All Exports	All Imports	
1964	1,876	1,975	- 99	119	105	93	107	86
1965	1,949	1,474	+ 475	125	77	95	109	88
1966	1,700	2,028	- 328	114	107	90	119	76
1967	1,690	1,738	- 48	119	85	85	123	69
1968	2,035	2,173	- 138	121	83	101	160	64

Sources: Ceylon Customs Returns,
Central Bank of Ceylon

* Includes re-exports

1. The figure of aggregate imports needs to be interpreted with caution. As pointed out in the past Annual Reports, there could be considerable differences between the value of imports actually received and cleared from the Customs in any time period and their value as reflected in the Customs entries, from which Customs data are derived, if there was a significant interval between the clearance of imports and the passing of the relative Customs entries. This consideration has particular relevance to Government imports and more particularly to imports of rice, flour and sugar, which account for a considerable proportion of aggregate imports. The extent of the difference between actual imports of these three commodities and their imports as reflected in the Customs recorded data is discussed at some length in the paragraphs that follow.
2. In terms of U.S. dollars, however, the value of Ceylon's total export earnings in 1968 at \$342 million registered a decline of \$13 million as compared with total export earnings in 1967.

The total volume of exports, which had expanded by 4 per cent in 1967 over the previous year, increased marginally in the year 1968. The Central Bank's index of export volumes for 1968 at 121 (Base 1958=100), showed an increase of about 2 per cent over the preceding year. The average price of all exports, which had shown an improvement of 2 per cent in 1965, recorded declines in both 1966 and 1967. The declining trend in the average export price was reversed in 1968 and the average price index of all exports at 101 (Base 1958=100) increased by 19 per cent over the level reached in 1967. The increase in export prices is attributed to the devaluation of the Ceylon rupee. Thus, the sharp increase in the value of exports in 1968 was largely the result of a marked increase in the average price of all exports, the effect of which was strengthened by a small increase in the volume exported.

The volume of imports (as measured by the Central Bank Trade Indices, Base 1958=100) in the year 1966 was relatively large when compared with that of the preceding year. The increase in the total volume of imports recorded in 1966 was reversed in 1967 with the Bank's index falling by 21 per cent to 85. The year 1968 too witnessed a further decrease in the total volume of imports and the aggregate volume index at 83 revealed a contraction of 2 per cent, as compared with that for 1967. The average price of all imports, which had been rising steadily from the year 1963, continued its upward trend in the year under review and the Central Bank's Price Index for all imports (Base 1958=100) at 160 registered a sharp increase of 30 per cent over the level reached in 1967. Thus, the marked increase in the value of imports in 1968 was solely the result of a sharp rise in average price of all imports, the effect of which was partially offset by a small decrease in the volume of imports.

Ceylon's commodity terms of trade (as measured by the Central Bank Trade Indices) which had deteriorated in the two preceding years by 13 per cent in 1966 and 9 per cent in 1967 continued to be adverse during the year under review. The Bank's index of the terms of trade declined from 69 (1967) to 64 (1968) i. e. by 7 per cent.

The figure of total imports as recorded in the Customs Returns overstates the value of imports actually received during 1968. While in 1967 the Customs records of imports of rice, flour and sugar understated the Food Commissioner's actual imports of these commodities by Rs. 35 million, in 1968 Customs data overstated the Food Commissioner's imports of these commodities by Rs. 34 million.

If the total imports for 1967 and 1968, as recorded in the Customs data are adjusted to reflect the actual imports of rice, flour and sugar received by the Food Commissioner, the value of total imports in 1967 would be increased to Rs. 1,773 million from Rs. 1,738 million and the value of imports for 1968 would be reduced from Rs. 2,173 million to Rs. 2,139 million. On the basis of import data so adjusted, the value of imports in 1968 exceeded the previous year's level by Rs. 366 million or 21 per cent.

The merchandise trade balance as reflected in the Customs data recorded a deficit of Rs. 138 million in 1968 as against a deficit of Rs. 48 million in 1967. On the basis of data adjusted for Food Commissioner's actual imports the deficit in the

merchandise trade balance for 1967 will be increased from Rs. 48 million to Rs. 83 million, while the deficit for 1968 will be reduced from Rs. 138 million to Rs. 104 million.

Exports

The large expansion in export earnings of Rs. 345 million in 1968 was largely due to a spectacular increase in export earnings from the three major coconut products. While export earnings from tea, rubber and other domestic exports too increased though less markedly, earnings from re-exports showed a very modest increase. Table II (J) 2 depicts the composition of exports and their relative percentage shares in the total of export earnings.

TABLE II (J) 2
Composition of Exports 1964-68

Commodity	Value in Rupees Million					Percentage of total exports				
	1964	1965	1966	1967	1968	1964	1965	1966	1967	1968
Tea ..	1,148	1,210	1,027	1,061	1,162	61	62	60	63	57
Rubber ..	290	304	337	282	331	15	16	20	17	16
3 Major Coconut Products	273	275	196	167	331	15	14	12	10	16
breakdown of which										
(a) Copra ..	55	49	25	18	34	3	3	2	1	2
(b) Coconut oil ..	154	144	108	88	133	8	7	6	5	7
(c) Desiccated Coconut ..	64	82	63	61	164	4	4	4	4	8
Other domestic exports ..	137	127	116	121	152	7	6	7	7	8
Total domestic exports ..	1,842	1,916	1,676	1,631	1,976*	98	98	99	97	97
Re-exports ..	34	33	24	59	60	2	2	1	3	3
Total ..	1,876	1,949	1,700	1,690	2,035	100	100	100	100	100

Source: Ceylon Customs Returns.

* Export earnings have been rounded off to the nearest million.

Export earnings from tea increased by Rs. 101 million or 10 per cent in 1968 as compared with 1967. The increase in earnings was entirely due to an increase in the average f.o.b. rupee price realised, the effect of which was partly offset by a decline in the volume exported. The average f.o.b. price of tea which had fallen in the three preceding years rose in the year under review and at Rs. 2.52 per pound was 30 cents per pound or 14 per cent higher than the export price realised in 1967. The volume of tea exported in 1968 at 460 million pounds was 18 million pounds or 4 per cent lower than that in 1967. The share of tea exports in total export earnings at 57 per cent represented a decline of 6 per cent as compared with the percentage contribution in the preceding year.

Earnings from rubber exports, increased by Rs. 49 million or 17 per cent as compared with the previous year. This was due both to an increase in the volume exported in the year under review and to a rise in the average f.o.b.

rupee price. While the volume of rubber exports increased by 37 million pounds or 13 per cent, the average f.o.b. price of all grades of rubber at Rs. 1.01 per pound increased by 4 cents per pound compared with that of the preceding year. The share of rubber exports in total export earnings fell to 16 per cent and was accordingly one per cent lower than that for 1967.

Export receipts from the three major coconut products (copra, coconut oil and desiccated coconut) increased markedly viz., by Rs. 164 million or 98 per cent as compared with the export values for the preceding year. This increase was the result of both an expansion of 17 per cent in the aggregate export volume and a sharp rise of 60 per cent in their average export price (as measured by the Central Bank Trade Indices). The share of the three major coconut products in total export earnings increased to 16 per cent in the year under review as against 10 per cent in the preceding year.

Earnings from other domestic exports which had risen by Rs. 5 million or 4 per cent in 1967, increased further by Rs. 31 million or 26 per cent in the year under review. The value of re-exports which had shown a significant increase in 1967 increased further by Rs. 1 million in 1968.

A detailed examination of export volume, prices and values in respect of selected minor exports is given on page 263.

Tea

In 1968 tea production amounted to 496 million pounds. This was 9 million pounds or 2 per cent higher than the quantity produced in 1967. The increase over 1966, however, amounted to 6 million pounds or one per cent. The higher level of production in 1968 was due mainly to favourable weather conditions experienced during the second and fourth quarters of the year. A further contributory factor prompting an expansion in overall production may have been the incentive of higher producer prices as compared with the preceding year. Although this observation cannot be firmly established, it is very likely that the effect of persistently higher prices has been towards inducing an expansion in output.¹ The higher producer prices resulted from the devaluation of the Ceylon rupee in November 1967. The increase in output was shared by all three elevational categories of tea. As compared with 1967 the respective output of high, medium and low grown teas increased by 2.7 million pounds,

1. Output of tea in the first quarter of 1968 was adversely affected by the drought conditions which prevailed in the tea growing districts.

		Million Pounds		
		1968	First Quarter 1967	1966
High-grown	..	40.3	44.7	51.7
Medium-grown	..	39.9	41.8	42.7
Low-grown	..	28.3	29.4	34.3
All Teas	..	108.5	116.0	128.8

Source: Tea Control Department.

4.1 million pounds and 2.0 million pounds. Table II (J) 3 provides data in respect of production, exports, the quantity offered at the Colombo Auctions and the volume shipped direct to the London Auctions as well as the volume of sales effected under private treaty.

TABLE II (J) 3
Production, Exports and Quantities sold at the Colombo Auctions and
Quantities shipped to London Auctions

Year	Production	Exports		Quantity offered at the Colombo Auctions	Quantity shipped direct to London	Private Sales**
		Customs Data	Actual Shipments			
1965	503	495	474	368	125	—
1966	490	441	441	359	108	—
1967	487	478	480	369	110	5
1968	496	460	446	369	111	5

Sources: Administration Reports of the Tea Controller,
Ceylon Customs Returns, Colombo Tea Brokers' Association.

** Private sales of tea came into operation on 1st March, 1967.

These sales were confined to U.S.A. and Canada only.

The volume of tea exported in 1968 decreased by 18 million pounds or 4 per cent below that of 1967. The decrease in the volume of tea exports is largely attributable to the strike situation in the mercantile sector in January and April 1968. The quantity of tea sold at the Colombo Auctions in 1968 was 369 million pounds while the quantity of tea shipped direct to the London Auctions was 111 million pounds. The corresponding quantities for 1967 were 369 million pounds and 110 million pounds respectively. Through the medium of private sales 5 million pounds of tea were sold. The quantity shipped in the preceding year was also 5 million pounds. Available data indicate that stocks of manufactured tea in Ceylon increased from 47 million pounds at the end of November 1967 to 63 million pounds at the end of November 1968.¹

According to the figures furnished in the Customs Returns, the United Kingdom was again by far the best customer for Ceylon tea with purchases for 1968 totalling 163 million pounds, as compared with 183 million pounds in 1967. The export to the U.K. comprised 35 per cent of total tea exports in 1968 as against 38 per cent in 1967. Iraq came second with purchases totalling 42 million pounds, as compared with 29 million pounds in 1967. The percentage share of tea exports to Iraq was 9 in 1968 as against 6 in 1967. U.S.A. took third place with purchases totalling 38 million pounds (8 per cent of total exports) as compared with 46 million pounds (10 per cent of total exports) in 1967. Australia ranked fourth with purchases totalling 36 million pounds (i. e. 8 per cent) as against 41 million pounds (i. e. 9 per cent) a year ago.

1. Data furnished by the Tea Control Department.

Colombo Auctions

The increase in the market prices of tea, which began in the fourth quarter of 1967, continued during the first three quarters of 1968. The fourth quarter, however, saw declines in the prices of all three elevational categories of teas. This decline in prices can be attributed partly to a seasonal decline in quality and partly to the pressure of heavy supplies, due to increased crops harvested during this period.¹ The average nett price of all teas sold at the Colombo Auctions, which had declined by 7 cents per pound or 4 per cent in 1967 over the preceding year registered a sharp increase of 25 cents per pound or 17 per cent to Rs. 1.75 per pound in 1968. This increase in price was shared by all three elevational categories of teas. Although tea prices of all three elevational groups rose, there were marked differences in the degree of increase experienced by each individual grade. The average nett price of high-growns increased the least viz., by 11 cents per pound or 6 per cent, while that of medium growns increased by 20 cents per pound or 14 per cent. The sharpest increase, however, was in respect of low-growns, whose average nett price at Rs. 1.63 per pound was 43 cents per pound or 36 per cent higher than that of 1967. Table II(J) 4 provides data on production, exports and prices of tea.

TABLE II (J) 4
Tea-Production, Exports and Prices 1964-1968

Year	Production	Exports		Average Colombo Auction Nett Price Rupees per pound			
	Quantity Mn. lbs	Quantity Mn. lbs.	F.o.b. Price Rs. per lb	High grown	Medium grown	Low grown	All Teas
1964	482	456	2.51	1.93	1.58	1.49	1.68
1965	503	495	2.45	1.93	1.66	1.64	1.75
1966	490	441	2.33	1.84	1.46	1.37	1.57
1967	487	478	2.22	1.82	1.47	1.20	1.50
1968	496	460	2.52	1.93	1.67	1.63	1.75
1967 1st Quarter	116	121	2.31	1.89	1.46	1.10	1.48
2nd Quarter	143	118	2.17	1.66	1.33	1.04	1.34
3rd Quarter	104	137	2.10	1.80	1.44	1.20	1.48
4th Quarter	124	102	2.34	1.97	1.70	1.49	1.72
1968 1st Quarter	109	108	2.48	1.97	1.67	1.61	1.75
2nd Quarter	157	89	2.51	1.92	1.67	1.69	1.76
3rd Quarter	91	156	2.52	1.97	1.73	1.67	1.79
4th Quarter	139	107	2.58	1.86	1.60	1.58	1.68

Sources: Administration Reports of the Tea Controller, Ceylon Customs Returns, Colombo Tea Brokers' Association.

The average nett price of high-growns showed an increase of 8 cents per pound in the first quarter of 1968, as compared with the corresponding quarter of 1967. As the Dimbulla/Dickoya season concluded market prices in the second quarter declined on an average by 5 cents per pound below the level of the preceding quarter to Rs. 1.92 per pound. When compared with the same quarter of 1967 this price was higher by 26 cents per pound. Market prices for

1. Forbes & Walker Ltd., Market Report for the Quarter ended December 31st, 1968 pages 2 and 5.

high grown teas improved in the third quarter and at Rs. 1.97 per pound was 17 cents per pound higher than that which prevailed in the corresponding period of the previous year. In the final quarter, however, a seasonal decline in the quality of Uva teas and the pressure of heavy supplies, due to increased crops harvested during this period, exerted a downward pressure on market prices with the result that the average price for the quarter reached Rs. 1.86 per pound - a decline of 11 cents per pound below the average for the preceding quarter and as compared with the corresponding quarter of 1967.

The average nett price of medium grown, while following the trend of market prices of high-grown, registered sharper increases during the first three quarters of the year. While the average price during the first quarter of 1968 increased by 21 cents per pound as compared with the same quarter of 1967, it increased by 34 cents per pound and 29 cents per pound during the second and third quarters. In the last quarter of the year, however, the average price fell by 10 cents per pound, in keeping with the decline which prevailed for high-grown.

The market demand for low-grown teas improved perceptibly in the year under review with their average prices increasing sharply in each quarter over the corresponding quarters of 1967. This outcome was in the main due to improved demand from the Middle Eastern buyers, particularly from Iraq. The volume of tea exports to Iraq increased quite markedly in 1968 to 42 million pounds, i.e. an increase of 13 million pounds or 45 per cent as compared with the quantity exported in 1967. The average nett prices in the first three quarters rose by 51 cents per pound, 65 cents per pound and 47 cents per pound, respectively over the corresponding quarters of 1967. However, in the third and fourth quarters prices were lower than in the preceding quarters reflecting a decline in the rate of increase. The average nett price for the fourth quarter at Rs. 1.58 per pound revealed an increase of 9 cents per pound over the same quarter of 1967. The smaller price increases experienced by low-grown teas in the third and fourth quarters of 1968 were largely due to restricted purchases from Middle Eastern countries, particularly Iraq in September and the withdrawal of the Iraqi Government Purchasing Board from the Colombo Market for a period of three weeks from 23rd November.¹

With the devaluation of the Ceylon Rupee in November 1967 the export duty rebate scheme introduced in September 1966 was abolished and the export duty on a pound of tea was increased from 35 cents to 40 cents. With a view to rendering relief to tea producers, whose costs had risen consequent on the devaluation, the government re-introduced with effect from January 1968, the tea export duty rebate scheme in a modified form. Initially this scheme provided for all medium and low grown teas sold through the medium of the Colombo Auctions to be paid a rebate amounting to 5 cents per pound. With effect from the sale of 29th October 1968, this rebate scheme was extended to include high-grown teas sold at the Colombo Auctions.

1. Forbes & Walker Ltd., Market Report for the quarter ended September 1968, page 4 and for the quarter ended December 1968, page 3.

Table II (J) 5 gives particulars of the quantities on which the rebate was granted and the total amount paid out as rebate in 1968.

TABLE II (J) 5
Tea Export Duty Rebate Scheme, Colombo Auctions

	Quantities on which the rebate was paid (pounds)	The value of rebate paid (Rupees)
High-grown ..	22,123,996	1,106,180
Medium-grown ..	129,133,760	6,456,688
Low-grown ..	113,743,537	5,687,177
All Teas ..	265,000,893	13,250,045

Source: Tea Control Department

It may be noted that out of a total of 368.8 million pounds of tea offered at the Colombo Auctions in 1968, 265.0 million pounds of tea received the 5 cents export duty rebate. The total expenditure incurred by way of rebates under this scheme in 1968 was Rs. 13.3 million, of which medium-growns accounted for Rs. 6.5 million or 49 per cent and low-growns Rs. 5.7 million or 43 per cent. High-growns, however, accounted for only Rs. 1.1 million or 8 per cent, as these were brought into the scheme with effect from 29th October. The average value of rebate paid out was Rs. 294,445 per auction.

London Auctions¹

The downward drift in auction values at the London Market, which was temporarily arrested in 1967 continued its decline in 1968. The average price of all teas sold at this centre at 3 sh. 11.63 d. per pound showed a fall of 2.18 d. per pound as compared with the preceding year. This decline in price contrasts with an increase of 0.95 d. per pound recorded in the previous year. There were marked fluctuations in the price of tea during the first half of the year and the average price of all teas sold at this centre in the first half of 1968 at 3 sh. 11.51 d. per pound, registered an increase of 0.38 d. per pound over that of the corresponding period of last year. The price decline, which began in July, continued throughout the second half of 1968. Increased availability of plain teas in a situation of general overproduction, belated arrivals of teas due to strikes in producing countries and such teas losing their freshness, a decline in the overall quality of North Indian teas as compared with that of the last season, an increase in the quantity of teas sold at the London Auctions, the high level of stocks in the U. K. as compared with 1967, and selective buying, were factors which contributed towards prices declining in the London Market.

1. This analysis is based on Weekly Tea Market Reports of the Tea Brokers' Association of London, Investors' Guardian and Public Ledger.

Table II (J) 6 provides data on the quantities of tea sold at the London Auctions by countries of origin and the average prices realised.

TABLE II (J) 6
Quantities of Tea sold at the London Auctions by Countries of
Origin and their average prices

	Quantities sold at the London Auctions (Mn. lbs.)			Average Prices (Sh. d. per lb)		
	1966	1967	1968	1966	1967	1968
1. North India ..	141.3	113.3	131.4	4-4.14	4-5.71	4-0.66
2. South India ..	20.0	12.1	15.5	3-5.04	3-6.48	3-6.26
3. All Ceylon ..	107.1	96.2	103.9	4-2.88	4-4.33	4-1.30
4. All Africa ..	57.5	56.0	72.9	3-6.06	3-4.60	3-8.12
5. Total	337.0	284.3	328.4	4-0.86	4-1.81	3-11.63

Source: The London Tea Brokers' Association

The average price of all grades of Ceylon tea sold at the London Auctions in the year under review amounted to 4 sh. 1.30 d. per pound registering a decline of 3.03 d. per pound below the preceding year's price. Ceylon teas at the London auctions recorded the highest annual average price as seen in Table II (J) 6. The decline in price was confined to high and medium-grown teas, while the low-grown teas recorded a slight increase. As compared with 1967 the average prices of high and medium-grown teas in 1968 at 4 sh. 2.61 d. per pound and 4 sh. 0.77 d. per pound, respectively, declined by 3.83 d. per pound and 2.36 d. per pound, respectively, while that of low-grown teas at 3 sh. 7.72 d. per pound increased by 0.51 d. per pound. The strikes in the mercantile sector of the country which interrupted the regular arrival of teas, that could have been sold when North Indian offerings were small, as well as the fact that belated arrivals of tea resulted in teas losing their freshness were the major factors responsible for the decline in the average price of Ceylon teas sold at this centre. The decline of 3.03 d. in the average price of Ceylon teas in 1968 was accompanied by declines in the average prices of North Indian and South Indian teas. The average price of North Indian teas at 4 sh. 0.55 d. per pound registered a sharper fall of 5.05 d. per pound as compared with 1967, while the average price of South Indian teas at 3 sh. 6.26 d. per pound recorded a drop of 0.22 d. per pound. The sharp decline in the average London Market price of North Indian teas could be attributed to the general decline in the quality of their second flush teas offered at this centre during the current season.¹ In regard to teas from other countries, the prices of tea from Malawi, Mozambique, Argentine and Vietnam recorded increases, while the prices of tea from Kenya, Uganda, Tanzania, Mauritius and Malaya registered declines. The decline in the prices registered by the East African countries was due to the quality of teas offered at this centre being plainer in quality and inferior as compared with the previous year's production.

1. Investors' Guardian of September 27, 1968

The total quantity of tea sold at the London Auctions in 1968 amounted to 328 million pounds¹ indicating an increase of 44 million pounds or 15 per cent over the quantity sold in 1967. This increase in volume has been shared by all the major tea producing countries. While the quantities of North Indian and South Indian teas sold at the London Auctions during this year at 131 million pounds and 15 million pounds, respectively, increased by 18 million pounds and 3 million Pounds, respectively, quantities from Ceylon and African territories at 104 million pounds and 73 million pounds, respectively, exceeded the previous year's levels by 8 million pounds and 17 million pounds, respectively.

The level of tea stocks in the U. K. throughout 1968 was higher than that in 1967. In the first half of the year 1968 tea stocks were on the average about 8 to 10 million pounds higher than in 1967. Throughout the second half of the year the level of stocks continued to be significantly higher than in the corresponding period of the preceding year. At the end of the year, these stocks amounted to 196 million pounds² or 61 million pounds more than at the end of 1967.

Available data on world tea production indicate that in 1968 tea output was 1,610 million pounds³ an increase of 63 million pounds over 1967. This compares with an increase of 7 million pounds in 1967. Pakistan was the only tea producing country to record a decline in production, while the other major tea producing countries showed increases.

Rubber

Production of rubber during 1968 amounted to 328 million pounds representing an increase of 12 million pounds or 4 per cent above the quantity produced in 1967. The increase in output was due to high yields obtained from replanted areas coming into bearing. However, the production for the period January-October 1968 showed a slight drop of 3.4 million pounds when compared with the corresponding period in the preceding year.⁴ This decline was attributed to the heavy rains that were experienced during the greater part of the year, thereby adversely affecting tapping operations. The production of both sheet rubber and crepe rubber increased by 7.4 million pounds and 4.8 million pounds respectively. The local consumption of rubber which increased by 1.0 million pounds in 1967, increased further by 1.3 million pounds to 7.2 million pounds in 1968. The volume of rubber exported which registered a fall of 7 million pounds or 2 per cent in 1967, rose sharply by 37 million pounds or 13 per cent to 328 million pounds in 1968.⁵ Exports of sheet rubber, crepe (all varieties) and latex increased by 26.4 million pounds (or 16.2 per cent), 10.4 million pounds (or 8.2 per cent) and 0.5 million pounds, respectively.

1. Tea Market Report No. 845 of January 3, 1969 of the Tea Brokers' Association of London.
2. Tea Market Report No. 845 of January 3, 1969 of the Tea Brokers' Association of London.
3. John, Keel, Thompson, White Ltd. Weekly Tea Market Report of March 9, 1969.
4. Rubber production in November 1968 recorded a significant increase of 16.7 million lbs over the corresponding month of the preceding year and 13.5 million lbs. more than the preceding month's output. This increase enabled the shortfall experienced up to end of October to be offset.
5. The total quantity of 328 million pounds of rubber exported in 1968 is on the basis of entries passed for exports. Customs data also record by way of an explanatory footnote that the actual quantity shipped in the twelve month period January to December 1968 was 314 million pounds;

According to the Customs entries, the People's Republic of China was once again Ceylon's best customer for rubber with purchases totalling 183 million pounds (56 per cent of total rubber exports) as compared with 131 million pounds in 1967 (45 per cent of total rubber exports). The United States of America came second with purchases of 23 million pounds in both 1968 and 1967. The Federal Republic of Germany came third with purchases totalling 20 million pounds as compared with 17 million pounds in the preceding year. The Union of the Soviet Socialist Republic ranked fourth with 18 million pounds as against 27 million pounds a year earlier. Japan and Rumania absorbed 11 million pounds and 10 million pounds respectively in 1968 as against 11 million and 18 million pounds respectively in 1967.

In the Colombo market, the average price of R.S.S. No. 1 which improved to Rs. 0.86 cents per pound in December 1967, declined in January and February 1968 to Rs. 0.81 cents per pound and Rs. 0.77 cents per pound respectively. Thereafter market prices followed an upward trend, with the exception of a slight fall of one cent per pound recorded in August. The annual average price of R.S.S. No. 1 in 1968 increased by 9 cents per pound or 11 per cent to Rs. 0.88 cts per pound when compared with the annual average price in 1967. The market price of Latex Crepe No. IX followed the same pattern of price movements of R.S.S. No. 1. The annual average price of Latex Crepe No. IX in 1968 increased by 23 cents per pound or 26 per cent to Rs. 1.11 cents per pound when compared with the annual average price in 1967.

Table II(J) 7 provides data on production, exports and prices of rubber in recent years.

TABLE II (J) 7
Rubber: Production, Exports and Prices

Year	Production Mn. lbs.	Exports Mn. lbs	F. O. B. Price Rs. per lb.	Colombo Market Price of R.S.S. No. 1. Rs. per lb.
1963	231	209	1.23	0.93
1964	246	253	1.15	0.90
1965	261	267	1.14	0.91
1966	289	298	1.13	0.89
1967	316	291	0.97	0.79
1968	328	328	1.01	0.88

Sources: Administration Reports of the Rubber Controller,
Ceylon Customs Returns,
Colombo Rubber Traders' Association.

In the international markets prices of natural rubber followed a steady upward movement except during the first two months of the year under review when it declined below the level reached in December, 1967. During the second month of the year, there was a decline in prices of natural rubber in the

world rubber markets. The estimated increase in production and the high figure for Eastern stocks with a lack of buying interest, resulted in the Singapore price dropping in the first week of February to its lowest level (i.e. 43 straits cents per lb.) since 1949. The advance in prices during the period that followed was the result of the political situation in the Far East. Prices improved further due to uncertainties caused by activity in major currency markets. The annual average price of spot R.S.S. No. 1 sheet rubber in the London Market increased by 1 15/32d per pound to 1sh 6 25/32d per pound. In the Singapore market the annual average f.o.b. price of sheet rubber at 53.12 straits cents per pound was 0.96 straits cents per pound lower than the 1967 annual average. An increase in demand from the major consuming countries coupled with sensitive world political trends were the chief factors which contributed to the upward movement in prices.

Although there was an increase in production, consumption too increased and stocks were generally lower. During January-October (latest data available) 1968¹ the world supply of natural rubber including releases from the United States stockpile amounted to 2,172,500 tons as against 2,107,500 tons for the same period in 1967, while consumption of natural rubber accounted for 2,267,500 tons in the period January to October 1968 as against 2,057,500 tons for the same period in 1967. Stocks at the end of October were 937,500 tons compared with 980,000 tons in December 1967. The world production of synthetic rubber for the period January-October 1968 totalled 3,245,000 tons against 2,785,000 tons for the same period in 1967, while consumption of synthetic rubber accounted for 3,212,000 tons in the period January-October 1968 as against 2,750,000 tons for the same period in 1967.

Coconut Products

In the world market, prices of lauric oils which began rising towards the end of September 1967 continued to remain high during the first half of 1968. The higher prices resulted from several factors, viz., increased demand from European countries, a shortfall in Philippine copra production² and curtailed shipments of palm kernels and palm oil from Nigeria due to political unrest.

With the exception of an occasional recession, the underlying trend in the copra market up to May 1968 was one of steadiness. This was due to the fact that the United States was supporting the market owing to a shortfall in the supplies forthcoming from Philippines.³ Towards the end of May the supply position in the Philippines improved, with the result that prices declined. This decline in price was temporarily arrested by a short position in Europe in July. With production prospects improving, prices continued to decline and reached their lowest point in October. Yet prices were appreciably higher than those attained in 1967. In November and December, however, prices showed an improvement following reports of typhoon damage in the Philippines. Coconut oil prices too followed the same pattern as that of copra.

1. Rubber Statistical Bulletin, January, 1969.

2. The volume of copra exported from Philippines in 1968 at 653,825 tons recorded a decrease of 99,743 tons or 13 per cent below that of 1967.

3. Public Ledger of December 28, 1968, page II.

Although the prices of coconut products in the Colombo Market followed the same trend as in the international markets during the first half of 1968, the pattern changed in the second half of the year. In general prices rose in the first four months of 1968. In May and June prices declined but picked up again in July and August. Thereafter prices declined in September and October but improved in the last two months of the year.

In the case of desiccated coconut, however, the price decline which began in September 1968 continued into December. The annual average price for 1968 of estate No. 1 copra at the Colombo Market at Rs. 256.00 per candy registered an increase of Rs. 57.93 per candy or 29 per cent, while coconut oil at Rs. 1513.03 per ton and desiccated coconut at Rs. 0.79 per pound increased by 31 per cent and 61 per cent, respectively over the 1967 annual average prices.

In 1968, the total volume of exports of the three major coconut products (as measured by the Central Bank Trade Indices) increased by 17 per cent over the 1967 level. This contrasts with a decline of 8 per cent recorded in 1967. The higher level of export earnings was due both to an expansion in the volume of coconut exports and to the higher level of prices that prevailed in the international markets. As compared with 1967, export volumes of copra and desiccated coconut showed increases, while coconut oil recorded a decrease. The volume of exports of copra at 425 thousand cwts. and desiccated coconut at 1,382 thousand cwts., expanded by 109 thousand cwts. or 34 per cent and 456 thousand cwts. or 49 per cent, respectively, while the volume of exports of coconut oil at 1,261 thousand cwts. decreased by 73 thousand cwts. or 5 per cent as compared with 1967. The contraction in the volume of exports of coconut oil may be related to the sharp increase in the price of desiccated coconut which induced a shift from coconut oil to the manufacture of desiccated coconut.

The annual average f.o.b. prices of all three products were higher in 1968 than in 1967. The annual average f.o.b. price of copra, coconut oil and desiccated coconut at Rs. 396 per candy, Rs. 2,109 per ton and Rs. 1.06 per pound, rose by Rs. 103 per candy or 35 per cent, by Rs. 795 per ton or 60 per cent and by 47 cents per pound or 80 per cent, respectively over the level reached in 1967.

Table II (J) 8 gives data on export volumes and export prices of the three major coconut products.

TABLE II (J) 8
Major Coconut Products—Exports: Volume & Prices 1964-68

Year	Volume				F.o.b. Prices		
	Coconut Oil Th. cwt.	Copra Th. cwt.	Desiccated Coconut Th. cwt.	Total (in terms of nut equivalent) Mn. nuts	Coconut Oil Rs. per ton	Copra Rs. per Candy	Desiccated Coconut Rs. per pound
1964	2,351	1,162	1,080	1,618	1,308.40	237.20	0.53
1965	1,738	819	1,041	1,270	1,661.80	296.30	0.71
1966	1,457	417	930	1,017	1,489.00	294.60	0.60
1967	1,334	316	926	940	1,314.00	293.07	0.59
1968	1,261	425	1,382	1,096	2,108.80	396.25	1.06

Source: Ceylon Custom Returnss.

TABLE II (J) 9

Export Volumes, Export Values and Average f. o. b. Prices of Selected Minor Export Products.

			Unit of Quantity	Volume			Value (Rs. million)			Average f. o. b. prices (Rs. per unit)		
				1967	1968	% change 1968 over 1967	1967	1968	% change 1968 over 1967	1967	1968	% change 1968 over 1967
Coconut Products Group												
	..	..	Th. cwt.	538.0	563.9	+ 4.8	22.0	25.6	+ 16.4	40.94	43.35	+ 10.8
	..	..	..	1065.0	1260.3	+ 18.3	19.4	25.5	+ 31.4	18.24	20.23	+ 10.9
	..	..	..	273.0	319.1	+ 16.9	4.9	5.2	+ 6.1	18.02	16.34	- 9.3
	..	..	Mn. nuts	10.2	7.6	- 25.5	3.1	3.3	+ 6.5	0.30	0.44	+ 46.7
Spices Group												
	..	..	Th. cwt.	52.8	61.8	+ 17.0	29.8	32.9	+ 10.4	564.71	531.79	- 5.8
	..	..	..	7.9	16.6	+ 110.1	4.2	2.3	+ 91.7	153.27	141.30	- 7.8
	..	..	..	2.0	16.2	+ 710.0	0.4	2.4	+ 500.0	215.21	146.53	- 31.9
	..	..	..	2.4	2.5	+ 4.2	3.3	4.1	+ 24.2	1341.65	1639.22	+ 22.2
Minerals Group												
	..	..	..	204.1	212.6	+ 4.2	6.7	7.8	+ 16.4	32.83	36.91	+ 12.4
	..	..	..	1764.4	1455.0	- 17.5	1.5	2.6	+ 73.3	0.86	1.78	+ 107.0
Other Agricultural Products												
	..	..	..	23.2	34.8	+ 50.0	4.1	7.3	+ 78.0	178.36	211.16	+ 18.4
	..	..	Mn. lbs.	0.9	1.3	+ 44.4	2.8	5.1	+ 82.1	3.00	3.81	+ 27.0
	..	..	Th. lbs.	337.7	297.8	- 11.8	0.8	1.2	+ 50.0	2.44	3.99	+ 63.5
Fatty Acids Group												
	..	..	Th. cwt.	21.8	24.8	+ 13.8	2.0	1.9	- 5.0	89.65	78.61	- 12.3
	..	..	Th. cwt.	-	21.0	-	-	2.0	-	-	93.16	-
Manufactured Products Group												
	..	..	..	7.7	10.1	+ 31.2	1.6	1.8	+ 12.5	202.65	180.02	- 11.2
	..	..	..	2.5	3.3	+ 32.0	0.9	1.1	+ 22.2	344.52	338.23	- 1.8
	..	..	Th. carats	24.9	196.0	+ 687.1	3.4	2.0	- 41.2	-	-	-
	..	..	-	-	-	-	2.3	1.2	- 47.8	-	-	-
	..	..	Th. doz.	3.7	32.3	+ 773.0	...	4.2	-	-	-	-
Total value of above items							110.2	139.5	+ 26.6			
Total value of all minor export products							121.2	152.2	+ 26.3			
Percentage of coverage							90.9	91.7				

* Not eligible for F. E. E. Cs.

Source: Ceylon Customs Returns.

Copra

India continued to be the largest single market for copra, absorbing 239 thousand cwts. or 56 per cent of the total volume exported. The Union of the Soviet Socialist Republic which imported 102 thousand cwts or 24 per cent of total exports and Pakistan which imported 74 thousand cwts. or 17 per cent, of total exports were the next most important buyers.

Coconut Oil

The Union of the Soviet Socialist Republic, which in 1968 imported 406 thousand cwts. of coconut oil representing nearly 32 per cent of total exports was the largest single buyer of this commodity. Pakistan, Italy and the People's Republic of China were the next most important buyers. Pakistan imported 174 thousand cwts. or 14 per cent; Italy 161 thousand cwts. or 13 per cent and the People's Republic of China 150 thousand cwts. or 12 per cent of the total volume of coconut oil from Ceylon for the year 1968.

Desiccated Coconut

The principal market for desiccated coconut continued to be the United Kingdom, which bought 358 thousand cwts. or 26 per cent of total exports. The Federal Republic of Germany, Canada and the Netherlands were the next largest buyers absorbing 182 thousand cwts. or 13 per cent, 116 thousand cwts. or 8 per cent and 86 thousand cwts. or 6 per cent, respectively of the total volume of exports of desiccated coconut. Canada's share of total exports of this commodity in 1967, however, was only 18 thousand cwts., or 2 per cent. The United States of America, which had not imported desiccated coconut from Ceylon in the preceding year, purchased 13 thousand cwts., in 1968.

Other Domestic Exports

The total export earnings from minor export products in 1968 increased by Rs. 31.0 million or 25.6 per cent as compared with 1967. This was due both to an expansion of 17 per cent in the volume exported and to a rise of 11 per cent in average export price (as measured by the Central Bank Trade Indices). The stimulus to higher export earnings from other domestic exports may be attributed largely to the operation of the Foreign Exchange Entitlement Certificate Scheme introduced in May, 1968. Under this scheme, foreign exchange earned from the export of minor export commodities qualified for a premium payment of 44 per cent of foreign exchange earned in rupee terms. Table II (J) 9 provides data on export volumes, export values and average f.o.b. prices of selected minor export commodities.

The above table covers approximately 92 per cent of the total value of exports of the group 'other domestic exports' recorded for 1967 and 1968. In the coconut products group, the value of exports of coir fibre at Rs. 51 million has shown an increase of Rs. 10 million or 24 per cent in the year under review, due both to an increase of 14 per cent in the volume exported and a rise of 8 per cent in the average f.o.b. price. The export earnings from bristle and mattress fibres in 1968 were Rs. 26 million and Rs. 25 million, recording

increases of Rs. 4 million and Rs. 6 million, over the earnings in 1967. Quantities exported of bristle and mattress fibres too at 564 thousand cwts. and 1260 thousand cwts., recorded increases of 26 thousand cwts. or 5 per cent and 195 thousand cwts. or 18 per cent. The marginal increase in the export earnings from coconut shell charcoal was entirely the result of an expansion of 17 per cent in the volume exported while the average export price fell by 9 per cent as compared with the preceding year.

In the spices group, the value of exports of cinnamon (quills and chips) at Rs. 35 million revealed an increase of Rs. 4 million or 13 per cent. This increase in export receipts was entirely accounted for by a sharp increase of 29 per cent in export volume, the effect of which was to some extent offset by a fall of 12 per cent in the average f.o.b. price. Export receipts from cinnamon quills and chips in 1968 were Rs. 33 million and Rs. 2 million, recording increases of Rs. 3 million and Rs. 1 million, over the level of earnings in 1967. The quantities of cinnamon quills and chips exported in 1968 each increased by 9 thousand cwts. to 62 thousand cwts. and 17 thousand cwts. Their average f.o.b. prices, however, declined by 6 per cent and 8 per cent. In the case of pepper, export earnings increased by Rs. 2 million and was entirely the result of an expansion of 14 thousand cwts. in export volume the effect of which was partially offset by a fall of 32 per cent in average export price.

In the minerals group export receipts from natural graphite in 1968 were Rs. 8 million, registering an increase of Rs. 1 million over the level of earnings achieved in 1967. The increase in export earnings from natural graphite was due both to an expansion of 4 per cent in the volume exported and a rise of 12 per cent in the average f.o.b. price.

In the other agricultural products group, export earnings from cocoa at Rs. 7 million recorded an increase of Rs. 3 million or 75 per cent over the preceding year. This increase is accounted for by an expansion of 50 per cent in the volume exported i.e. from 23 thousand cwts. to 35 thousand cwts. and an increase of 18 per cent in average export price. Export receipts from unmanufactured tobacco increased from 3 million in 1967 to Rs. 5 million in 1968 and was the result of an increase of 44 per cent in the volume exported and a rise in average export price of 27 per cent over the preceding year.

Imports

As mentioned on Page 249 the sharp increase of Rs. 435 million in the total value of imports in 1968, recorded in the Customs Returns, needs to be interpreted with some reservation. Although the increase is attributed partly to higher rupee prices resulting from the devaluation of the Ceylon Rupee, it is also to some extent the result of Customs data overstating the value of actual imports. The figure of total imports overstates the changes in the value of imports actually received during this year and understates the value of imports in the preceding year. For example, in the 'food and drink' sub-group of consumer goods imports, the Customs figure of imports of rice, flour and sugar at Rs. 688

million (1968) exceeded the value of imports of these commodities actually received by the Food Commissioner by Rs. 34 million. In the preceding year the Customs data understated the value of these imports by Rs. 35 million. When adjusted for these differences, the estimated value of imports was Rs. 366 million higher than that of the preceding year due largely to higher rupee prices resulting from the devaluation of the rupee. It may be noted that the value of rice imports at Rs. 345 million, which increased by 41 per cent was entirely the result of a sharp increase of Rs. 363 per ton or 57 per cent in the average c. & f. price of rice. The volume of rice imports declined by 10 per cent as compared with the preceding year.

Table II (J) 10 gives the factual position after adjusting the Customs data for Food Commissioner's actual imports of rice, flour and sugar.

TABLE II (J) 10
Customs Data adjusted for Food Commissioner's Imports

			Value in Rupees Million	
			1967	1968
1. Consumer Goods	..	..	966	1,113
of which				
A. Food and Drink	..	..	818	955
(i) Rice	..	..	244	345
(ii) Flour	..	..	234	218
(iii) Sugar, refined	..	..	71	91
B. Textiles	..	..	73	77
C. Other consumer goods	..	..	75	81
2. Intermediate goods	..	..	441	629
3. Investment goods	..	..	330	383
4. Unclassified Imports	..	..	36	14
5. Total Imports	..	..	1,773	2,139

On the basis of data adjusted to reflect the Food Commissioner's actual imports of rice, flour and sugar, the total value of imports in 1968 increased by Rs. 366 million or 21 per cent. This increase in the value of imports has been shared by the three major categories of imports. Although, imports of 'consumer goods' increased by Rs. 147 million or 15 per cent as compared with the preceding year, their share in total imports at 52 per cent declined by 2 per cent. Imports of 'intermediate goods' have shown an expansion of Rs. 188 million or 43 per cent and their share in total imports increased by 4 per cent to 29 per cent, while those of 'investment goods' increased by Rs. 53 million or 16 per cent. The share of 'investment goods' in total imports, however, declined by 1 per cent to 18 per cent in the year under review.

In the 'consumer goods' category, the increase in the value of imports has been shared by the three constituent sub-groups, viz., 'food and drink', 'textiles' and 'other consumer goods'.

Table II (J) 11 illustrates the volumes, values and the average c & f prices of Food Commissioner's and Customs recorded imports of rice, flour and sugar in respect of the years 1967 and 1968.

TABLE II (J) 11

Customs Entries and Actual Imports of Rice, Flour and Sugar

	Food Commissioner's Data				Customs Data			
	1967	1968	Change		1967	1968	Change	
			Abso- lute	%			Abso- lute	%
Rice								
Quantity : Th. tons ..	381	344	- 37	- 9.7	349	364	+ 15	+ 4.3
Value : Rs. Mn. ..	244	345	+101	+41.4	211	341	+130	+61.6
C. & F. Price : Rs. per ton ..	640.80	1003.44	+362.64	+56.6	603.01	936.84	+333.83	+55.4
Flour								
Quantity : Th. tons ..	517	359	-158	-30.6	505	422	- 83	-16.4
Value : Rs. Mn. ..	234	218	- 16	- 6.8	229	250	+ 21	+ 9.2
C. & F. Price : Rs. per ton ..	453.26	607.90	+154.64	+34.1	452.74	592.52	+139.78	+30.9
Sugar								
Quantity : Th. Tons ..	226	220	- 6	- 2.7	243	242	- 1	- 0.4
Value : Rs. Mn. ..	71	91	+ 20	+28.2	74	97	+ 23	+31.1
C. & F. Price : Rs. per ton ..	313.70	413.25	+ 99.55	+31.7	302.53	401.82	+ 99.29	+32.8
Total value of rice, flour and sugar : Rs. Mn. ..	549	654	+105	+19.1	514	688	+174	+33.9

Sources : Food Commissioner's Department;
Ceylon Customs Returns.

The above data reveal that in 1968, the Food Commissioner's actual aggregate imports of rice, flour and sugar at Rs. 654 million increased by Rs. 105 million or 19 per cent over 1967. Whereas his imports of rice at Rs. 345 million and sugar at Rs. 91 million, exceeded the previous year's imports as provided by him by Rs. 101 million or 41 per cent and Rs. 20 million or 28 per cent, the value of flour imports declined and at Rs. 218 million was Rs. 16 million or 7 per cent less than in 1967.

The increase in the value of rice imports in the year under review was entirely the result of a sharp increase of Rs. 363 per ton or 57 per cent in the average c. & f. price, the effect of which more than offset a decrease of 37 thousand tons or 10 per cent in the volume of imports of this commodity. The sharp increase in the average c. & f. price of rice was in keeping with the trend of prices in the world markets and was partly the result of poor harvests abroad and consequent shortages and partly the result of the devaluation of the Ceylon rupee and the consequent higher rupee prices.

The decrease of Rs. 16 million or 7 per cent in the value of imports of flour was entirely the result of a sharp contraction of 158 thousand tons or 31 per cent in the quantity imported, the effect of which was to a large extent offset by a sharp increase of Rs. 155 per ton or 34 per cent in the average c. & f. price. This increase in rupee price was largely the result of the devaluation of the

TABLE II (J) 12
Imports by Major Categories and Commodities or Groups of Commodities - 1964-68

	Value in Rupees Million					Percentage of Total Imports				
	1964	1965	1966	1967	1968	1964	1965	1966	1967	1968
I. Consumer Goods	1,263	779	1,161	931	1,147	63.9	52.8	57.2	53.6	52.8
of which										
A. Food and Drink	1,008	604	956	783	989	51.0	41.0	47.1	45.1	45.5
(i) Rice	326	144	367	211	341	16.5	9.8	18.1	12.1	15.7
(ii) Flour	137	98	113	229	250	6.9	6.6	5.6	13.2	11.5
(iii) (a) Sugar, refined	185	71	103	74	97	9.4	4.8	5.1	4.3	4.5
(b) Sugar, other (i. e. sakkarai, jaggery and sugar candy)	2	1	2	...	...	0.1	0.1	0.1	...	...
(iv) Milk and milk products	94	77	77	66	74	4.8	5.2	3.8	3.8	3.4
(v) Meat, fish and eggs	74	61	101	56	70	3.7	4.1	5.0	3.2	3.2
of which (a) Fish dried (excluding maldivian fish but including dried prawns)	52	43	75	44	58	2.6	2.9	3.7	2.5	2.7
(b) Fish, other	17	13	19	9	11	0.9	0.9	0.9	0.5	0.5
(c) Meat and meat preparations	5	5	4	3	1	0.3	0.3	0.2	0.2	...
(d) Eggs .. .. .	...	...	...	...	...	...	...	...	...	...
(vi) Food, other	164	124	170	126	125	8.3	8.4	8.4	7.2	5.8
of which (a) Potatoes	25	18	24	7	...	1.3	1.2	1.2	0.4	...
(b) Grams and pulses	51	39	64	53	56	2.6	2.6	3.1	3.0	2.6
(c) Onions	26	21	20	19	17	1.3	1.4	1.0	1.1	0.8
(d) Chillies	46	30	43	29	34	2.3	2.0	2.0	1.7	1.6
(vii) Drink and manufactured tobacco	3	2	2	2	2	0.2	0.1	0.1	0.1	0.1
B. Textiles (including clothing)	165	107	119	73	77	8.4	7.3	5.9	4.2	3.5
C. Other Consumer Goods	90	68	86	75	81	4.6	4.6	4.2	4.3	3.7
of which—(i) Motor cars	3	3	3	10	7	0.2	0.2	0.1	0.6	0.3
(ii) Watches and clocks .. .. .	...	...	...	...	...	...	...	...	...	...
(iii) Radio receivers .. .. .	...	1	...	...	3	...	0.1	...	...	0.1
(iv) Rubber tyres and tubes	4	7	5	4	3	0.2	0.5	0.2	0.2	0.1
(v) Medicinal and pharmaceutical products	26	21	35	22	23	1.3	1.4	1.7	1.3	1.1
2. Intermediate Goods	397	414	470	441	629	20.1	28.1	23.2	25.4	29.0
of which—(i) Fertilizers	78	88	91	80	110	3.9	6.0	4.5	4.6	5.1
(ii) Petroleum products	93	109	130	112	196	4.7	7.4	6.4	6.4	9.0
(iii) Coal	12	10	3	9	4	0.6	0.7	0.1	0.5	0.2
(iv) Chemical elements and compounds	37	30	36	38	45	1.9	2.0	1.8	2.2	2.1
(v) Dyeing, tanning and colouring materials	12	9	13	10	15	0.6	0.6	0.6	0.6	0.7
(vi) Tea and other chests	15	12	18	9	10	0.8	0.8	0.9	0.6	0.5
(vii) Paper and paperboard	35	28	50	41	37	1.8	1.9	2.5	2.4	1.7
(viii) Yarn and thread	22	41	42	45	71	1.1	2.8	2.1	2.6	3.3
(ix) Unmanufactured tobacco	7	9	8	6	10	0.4	0.6	0.4	0.3	0.5
3. Investment Goods	305	261	361	330	383	15.4	17.7	17.8	19.0	17.6
of which—(i) Building materials	93	54	70	48	95	4.7	3.3	3.4	2.8	4.5
of which—(a) Cement	15	17	20	9	17	0.8	1.2	1.0	0.5	0.8
(ii) Transport equipment	58	96	116	89	80	2.9	6.5	5.7	5.1	3.7
(iii) Machinery and equipment	145	100	162	175	195	7.3	6.8	8.0	10.1	9.0
4. Total (items 1, 2 and 3)	1,965	1,454	1,992	1,702	2,159	99.5	98.6	98.2	97.9	99.4
5. Unclassified imports	10	20	36	36	14	0.5	1.4	1.8	2.1	0.6
6. Total Imports	1,975	1,474	2,028	1,738	2,173	100.0	100.0	100.0	100.0	100.0

Source : Ceylon Customs Returns.

Ceylon rupee. The lower volume of flour imported during the year under review could be attributed to the availability of large stocks, built up in the preceding year. Besides the volume imported in 1967 was exceptionally high.¹

The increase of Rs. 20 million in the value of imports of sugar in 1968, as compared with the year 1967 was due wholly to an increase of Rs. 100 per ton or 32 per cent in the average c. & f. price. The volume of imports, however, contracted by 6 thousand tons or 3 per cent below that of the preceding year. The rise in the average c. & f. price of sugar was partly the result of higher prices that prevailed in the international markets,² and partly the result of the devaluation of the Ceylon rupee.

Table II (J) 12 gives a breakdown of imports by major categories and commodities or groups of commodities, as reflected in the Customs Returns.

The increase in the value of imports of Rs. 435 million recorded in the Customs Returns for 1968 has been shared by the three major categories of imports. The largest increase was in the 'consumer goods' category, the value of imports of which expanded by Rs. 216 million or 23 per cent over that of the previous year's level. The share of this particular group in total imports, which in the year 1967 had amounted to 54 per cent fell by 1 per cent to 53 per cent in 1968.

The sharp increase in imports of 'consumer goods' is accounted for very largely by increased imports of 'food and drink' items in value terms. The value of these imports in 1968 at Rs. 989 million revealed an increase of Rs. 206 million or 26 per cent due mainly to amounts recorded in Customs entries relating to government imports of rice, flour and sugar increasing in the aggregate by Rs. 174 million or 34 per cent. The changes in actual imports of these commodities, however, differed from the Customs entries and have been set out in a preceding section. Imports of 'milk and milk products' at Rs. 74 million and 'meat and fish' at Rs. 70 million, increased by Rs. 8 million or 12 per cent and Rs. 14 million or 24 per cent, respectively, as compared with the levels reached in 1967. In the latter sub-group a greater part of the increase resulted from increased imports of dried fish. With regard to imports of 'food other' (which includes gram, pulses and currys stuffs) the value of imports registered a fall of Rs. 1 million or 1 per cent to Rs. 125 million in 1968. In this sub-group, imports of gram and pulses and dried chillies increased, while imports of onions decreased.

With regard to the other two sub-groups of 'consumer goods', the values of imports of both 'textiles' and 'other consumer goods' increased, the former by Rs. 4 million and the latter by Rs. 6 million, to Rs. 77 million and Rs. 81 million, respectively in the year under review. The shares of both 'textiles' and 'other consumer goods' in total imports at 4 per cent showed no variation over those of the

1. Vide Central Bank Annual Report 1967, Table II (I) 9 p.159.

2. Annual average of the London Daily Price for Sugar b96° c.i.f. U.K. per ton bulk basis was £19.41. in 1967 and £21.65 in 1968. Source : Czarnikow Sugar Review.

preceding year. In the 'other consumer goods' sub-group, imports of 'medicinal and pharmaceutical products' recorded an increase of Rs. 1 million or 5 per cent as compared with the preceding year. Imports of 'radio receivers' which were negligible in the two preceding years increased to Rs. 3 million in 1968. Imports of motor cars, however, declined by Rs. 3 million to Rs. 7 million in the year under review.

In the 'intermediate goods' category the value of imports of 'petroleum products' amounted to Rs. 196 million and was Rs. 84 million more than the value recorded for the preceding year. The sharp increase in the value of imports of this commodity was due both to an expansion of 99 million gallons or 37 per cent in the quantity imported and to a rise of 10 cents per gallon or 24 per cent in the average c.i.f. price. The volume of petroleum products imported in 1968 amounted to 365 million gallons. The average c.i. f. price per gallon was 52 cents. With the closure of the Suez Canal and the consequent longer route via the Cape and the devaluation of the Pound Sterling freight surcharges were imposed by liner conferences, with the result that average c. i. f. price of petroleum products from the U. S. S. R. in 1968 increased by 26 cents per gallon to 65 cents per gallon. The share of petroleum imports in total imports at 9 per cent was 3 per cent higher than in the preceding year. Imports of 'fertilizers' too increased in 1968, the value of these imports at Rs. 110 million recording an increase of Rs. 30 million or 38 per cent as compared with the level of imports in 1967. The volume of fertilizer imports in 1968 at 338 thousand tons revealed an expansion of 61 thousand tons or 22 per cent, while the average c.i.f. price at Rs. 326 per ton rose by Rs. 34 per ton or 12 per cent. Imports of 'yarn and thread' increased by Rs. 26 million or 58 per cent to Rs. 71 million in 1968. Other notable changes in the category of 'intermediate goods' include increases recorded in the value of imports of 'chemical elements and compounds' 'dyeing, tanning and colouring materials' and 'unmanufactured tobacco' by Rs. 7 million or 18 per cent, Rs. 5 million or 50 per cent and Rs. 4 million or 67 per cent, respectively. Imports of 'coal' and 'paper and paperboard', however, recorded declines.

In the 'investment goods' category imports of 'building materials' and 'machinery and equipment' at Rs. 95 million and Rs. 195 million, respectively, increased by Rs. 47 million or 98 per cent and Rs. 20 million or 11 per cent, respectively. The value of imports of 'transport equipment', on the other hand indicated a contraction of Rs. 9 million or 10 per cent as compared with the previous year. In the 'building materials' sub-group the value of imports of 'cement' amounted to Rs. 17 million and recorded a sharp increase of Rs. 8 million or 89 per cent over the value of imports in 1967. The increase in the value of imports of cement was largely the result of a sharp expansion in the quantity imported, which increased from 99 thousand tons in 1967 to 180 thousand tons in the year under review, the effect of which was strengthened by a rise of Rs. 2 per ton in the average c.i.f. price. The average c.i.f. price of cement in 1968 amounted to Rs. 92 per ton.

The total import volume based on Customs entries and as measured by the Central Bank index, which had declined sharply in the preceding year, declined by a further 2 per cent to 83 (base 1958=100) in the year under review. The

respective indices for the major categories of imports reveal that this contraction in volume was confined to the consumer and investment goods groups. The import volume index of intermediate goods, on the other hand, recorded an expansion. While the volume indices of consumer and investment goods at 75 and 55, respectively, decreased by 5 per cent and 15 per cent, respectively, that of intermediate goods at 141 increased by 10 per cent. Within the consumer goods category, the decline in import volume affected all three sub-groups, viz., 'food drink' 'textiles' and 'other consumer goods', whose indices at 100, 34 and 31 respectively, decreased by 3 per cent, 13 per cent, and 12 per cent, respectively, as compared with those for the preceding year.

The average price of all imports, which had revealed an upward trend in the recent years, continued this trend in 1968. The Central Bank's index of import prices (base 1958=100) averaged 160 in 1968 and was 30 per cent higher than in 1967. The price indices of the major categories of imports indicate that, while consumer and intermediate goods rose by 36 per cent and 22 per cent, respectively, to 155 and 105 respectively, that of investment goods rose less sharply, viz., by 18 per cent to 241 in the year under review. Within the consumer goods category too all three sub-groups recorded increases in price. The price indices of 'food and drink' and 'textiles' rose by 40 per cent and 27 per cent, respectively to 154 and 128 respectively, that of 'other consumer goods' rose by 32 per cent to 178 in 1968.

Developments in the Port of Colombo

The Annual Reports for 1966 and 1967 referred to the considerable improvements in the movement of cargoes that took place in the Port of Colombo during these years. The year 1968, however, witnessed a deterioration in the conditions of this Port.

Although there was a 2 per cent increase in the number of vessels entering the Port of Colombo during the year, there was a serious set back in the turn-round of these vessels, the average duration of their period of stay in the port increasing from 7.1 days in 1967 to 11.7 days in 1968, a deterioration of 65 per cent.¹ Table II (J) 13 provides particulars of the turn-round of vessels in the Port of Colombo in 1968, as compared with the figures for 1965, 1966 and 1967.

TABLE II (J) 13
Turn-round of General Cargo Vessels 1965-68.

Year	No. of vessels (over 50 tons)	Average waiting period for berth per vessel from arrival to commencement of operations (days)	Average working period per ship (days)	Average period of stay per vessel (days)
1965	504	2.04	8.03	10.1
1966	632	0.47	7.02	7.5
1967	644	0.39	6.75	7.1
1968	658	2.75	8.97	11.7

Source: Port (Cargo) Corporation.

1. Demurrage paid in 1968 amounted to Rs. 11.7 million (£818,000).

The total volume of cargo handled by the Port, however, recorded an increase of 140,255 shipping tons or 5 per cent in 1968, as compared with the preceding year. While the volume of export cargo increased by 24,175 shipping tons or 3 per cent, that of import cargo increased more markedly by 116,080 shipping tons or 5 per cent over the previous year.¹

The Annual Report for 1967 referred to the re-imposition of freight surcharges on export and import cargoes by liner conferences, following the closure of the Suez Canal in June 1967 and the consequent longer route via the Cape and again following the devaluation of the pound sterling in November 1967. The year 1968 witnessed no changes in these surcharges which continued to be levied throughout the year.²

Pattern of Trade

In 1968 Ceylon's export values to the principal monetary areas and regions showed increases of varying magnitude as compared with the preceding year. Imports from these areas and regions with the exception of those from the European Economic Community increased in value. The value of imports from the European Economic Community registered a decline. Data in Table II (J) 14 reveals the pattern of trade by principal monetary areas and regions.

The value of exports to the Sterling Area in 1968 amounted to Rs. 864 million, registering an increase of Rs. 69 million or 9 per cent over that of the preceding year. However, the area's share of Ceylon's total exports at 42 per cent, recorded a decline of 5 per cent. Imports from the Sterling Area at Rs. 761 million increased more sharply, viz., by Rs. 145 million or 24 per cent. The Sterling Area's share of Ceylon's total imports at 35 per cent showed no variation as compared with that of 1967. The merchandise trade balance with the area recorded a surplus of Rs. 103 million in 1968. This compares with a surplus of Rs. 179 million recorded in 1967.

Exports to the Dollar Area in 1968 at Rs. 219 million, revealed an increase of Rs. 13 million or 6 per cent over that of 1967. Imports from the Area at Rs. 236 million, on the other hand, expanded more sharply by Rs. 112 million or 90 per cent.³ The Dollar Area's share of total exports at 11 per cent indicated a fall of 1 per cent, while its share of total imports at 11 per cent increased by 4

1. The following are particulars of the tonnage handled by the Port of Colombo during each quarter of the year, as compared with the corresponding quarter of 1967.

	Import and Export Cargoes		Shipping Tons Change	
	1967	1968	Absolute	%
1st Quarter	843,299	758,681	- 84,618	- 10.0
2nd Quarter	720,255	698,433	- 21,822	- 3.0
3rd Quarter	671,137	799,745	+128,608	+19.2
4th Quarter	699,801	817,888	+118,087	+16.9
Year	2,934,492	3,074,747	+140,255	+ 4.8

Source: Port (Cargo) Corporation.

2. Vide Annual Report, 1967 p. 164 for particulars of the increases made in these surcharges.

3. Out of the total Rs. 236 million, Rs. 137 million or 58 per cent of the value of imports from the dollar area was in the form of commodity aid.

per cent, as compared with that of 1967. The merchandise trade balance with the Dollar Area recorded a deficit of Rs. 17 million in 1968 and is in sharp contrast with the surplus of Rs. 82 million recorded for 1967.

TABLE II (J) 14
Ceylon's International Trade in Merchandise
by Monetary Areas and Regions

Rupees Million						
	Total Exports (a) f.o.b.		Total Imports c.i.f.		Balance of Trade	
	1967	1968	1967	1968	1967	1968
Sterling Area	795.3	863.9	615.8	761.2	+179.5	+102.7
Dollar Area	205.6	218.9	124.0	235.9	+ 81.6	- 17.0
Others	636.0	893.5	998.6	1,176.0	- 362.6	- 282.5
Commonwealth Countries ..	750.8	813.6	623.3	788.7	+127.5	+ 24.9
Foreign Countries (b) ..	886.1	1,162.7	1,115.1	1,384.4	- 229.0	- 221.7
European Economic Community (c) ..	139.9	195.3	269.4	259.9	- 129.5	- 64.6
European Free Trade Association (d) ..	483.7	504.9	312.5	354.9	+171.2	+150.0
ECAFE Region (e) ..	398.5	492.1	736.2	952.7	- 337.7	- 460.6

Source: Ceylon Customs Returns.

(a) Exclude ships' stores and bunkers.

(b) From 1965, data include trade with Union of South Africa.

(c) Belgium, France, Germany, Italy, Luxemburg and Netherlands.

(d) Austria, Denmark, Norway, Portugal, Sweden, Switzerland and United Kingdom.

(e) Afghanistan, Australia (Since 1964), Burnei, Burma, Cambodia, Ceylon, People's Republic of China, Taiwan, Malaysia (Malaya, North Borneo and Sarawak), Hongkong, India, Indonesia, Iran, Japan, North Korea, South Korea, Laos, Mongolia, Nepal, New Zealand (Since 1964), Pakistan, Philippines, Singapore, Western Samoa (since 1964) Thailand, North Vietnam and South Vietnam.

The value of exports to the Commonwealth, in 1968 amounted to Rs. 814 million and was Rs. 63 million or 8 per cent more than that of 1967. The value of imports from the Commonwealth at Rs. 789 million revealed a pronounced increase, viz., by Rs. 166 million or 27 per cent. The Commonwealth's share of total exports declined by 4 per cent to 40 per cent in 1968, while its share of total imports at 36 per cent showed no change as compared with that of 1967. Ceylon's merchandise trade surplus with the Commonwealth amounted to Rs. 25 million and was Rs. 103 million lower than that registered for 1967.

Exports to the European Economic Community in 1968 at Rs. 195 million, increased by Rs. 55 million or 39 per cent over that of the preceding year, while imports from the Community at Rs. 260 million declined by Rs. 9 million or 3 per cent. The Community's share of total exports at 10

per cent registered an increase of 2 per cent and its share of total imports at 12 per cent fell by 3 per cent. The balance of trade with the Community, recorded a deficit of Rs. 65 million in 1968, an improvement of Rs. 64 million over that 1967.

Exports to the countries of the European Free Trade Association at Rs. 505 million increased by Rs. 21 million or 4 per cent in 1968 as compared with the preceding year. Imports from these countries at Rs. 355 million also increased by Rs. 42 million or 13 per cent. The Association's share of total exports at 25 per cent and imports at 16 per cent, declined by 4 per cent and 2 per cent respectively. The merchandise trade surplus with the Association countries, which in 1967 amounted to Rs. 171 million, decreased to Rs. 150 million in 1968.

The value of exports to countries of the ECAFE region amounted to Rs. 492 million, which indicated an expansion of Rs. 93 million or 23 per cent. The value of imports from this region too increased by Rs. 217 million or 29 per cent to Rs. 953 million in 1968. The region's share of total exports at 24 per cent showed no variation over that of the preceding year, while its share of total imports at 44 per cent increased by 2 per cent. The balance of trade with the region, which had shown a deficit of Rs. 337 million in 1967, deteriorated further by Rs. 124 million to Rs. 461 million in 1968.

Trade with the People's Republic of China

The total turnover of Ceylon's trade with the People's Republic of China in 1968 indicated a marked increase as compared with that of 1967. Whereas the value of exports in 1968 at Rs. 195 million increased by Rs. 42 million or 27 per cent over that of 1967, the value of imports rose markedly, viz., by Rs. 60 million or 32 per cent to Rs. 245 million in 1968. The balance of trade in 1968 showed a deficit of Rs. 50 million as against a deficit of Rs. 32 million in 1967.

Rubber continued to be the principal item of export to the People's Republic of China. The increase in the value of exports was accounted for largely by an increase in the receipts from rubber exports. The value of exports of rubber in 1968 at Rs. 179.7 million revealed an increase of Rs. 39.9 million or 29 per cent, as compared with 1967. The quantity of rubber exported amounted to 182.7 million pounds (82,872 metric tons) as against 130.9 million pounds (59,376 metric tons) in 1967. In 1968 the value of exports of Coconut oil increased by Rs. 1.2 million or 9 per cent to Rs. 14.9 million.

Ceylon's principal import commodity from the People's Republic of China continued to be rice. The value of rice imports as recorded in the Customs Returns amounted to Rs. 181.9 million in 1968, indicating an increase of Rs. 75.8 million or 71 per cent over 1967.

The protocol for 1968 signed on November 6, 1967 under the Trade and Payments Agreement with the People's Republic of China provided for the importation in that year of 200,000 metric tons of rice as against exports of 75,000 metric tons of rubber from Ceylon.

Imports of textiles, another major item of import from this country, increased by Rs. 4.1 million or 18 per cent to Rs. 26.7 million in 1968. Imports of dried chillies accounted for Rs. 12.0 million, indicating an increase of Rs. 5.4 million over 1967.¹ Other imports included sugar, refined (Rs. 5.0 million), green gram (Rs. 3.0 million), yarn and thread (Rs. 1.7 million) and garlic (Rs. 1.2 million).

Trade with the U.S.S.R. and Eastern Europe

Ceylon's trade with the U.S.S.R. and Eastern Europe in 1968, witnessed a significant expansion as compared with 1967, with exports rising sharply by Rs. 58.6 million or by 56 per cent to Rs. 162.6 million. Imports from the region also rose in 1968 by Rs. 15.6 million or by 10 per cent to Rs. 179.7 million. The balance of trade with the region showed a deficit of Rs. 17.1 million, which however, reflects an improvement over the deficit of Rs. 60.1 million recorded in 1967. The value of Ceylon's trade with the region accounted for 8 per cent of total foreign trade.

As in the preceding years, the U.S.S.R. continued to improve her position as Ceylon's principal customer of the region, accounting for Rs. 94.3 million or 58 per cent of total exports to the region in 1968. Exports to U.S.S.R. in 1968 as compared with 1967, expanded by Rs. 37.2 million or by 65 per cent. The expansion in exports to U.S.S.R. was mainly due to a very sharp increase in the value of exports of coconut oil which amounted to Rs. 43.2 million as against Rs. 14.8 million in 1967. Coconut oil constituted the principal export commodity to the U.S.S.R., replacing rubber which had been the principal export item in the previous years. The volume of coconut oil exports to U.S.S.R. recorded a significant increase from 209 thousand cwts. in 1967 to 406 thousand cwts. in 1968, - a volume increase of 94 per cent. Exports of rubber declined in 1968 by Rs. 2.9 million to Rs. 20.5 million. Exports of tea also recorded a slight fall of Rs. 0.1 million to Rs. 14.1 million in the year under review. Exports of copra amounted to Rs. 8.1 million, an increase of Rs. 5.1 million over the previous year.

Exports to the People's Republic of Poland which amounted to Rs. 27.4 million or 17 per cent of total exports to the region increased noticeably by Rs. 14.9 million or by 119 per cent. As in previous years rubber was the principal export item and accounted for Rs. 11.3 million, revealing an increase of Rs. 4.5 million or 66 per cent over 1967. Exports of desiccated coconut at Rs. 2.6 million, coconut oil at Rs. 4.4 million and tea Rs. 8.3 million registered increases of Rs. 1.8 million, Rs. 3.1 million and Rs. 5.2 million, respectively.

Exports to the Socialist Republic of Rumania which had amounted to Rs. 13.9 million or 9 per cent of total exports to the region, registered a decline of Rs. 4.8 million or 26 per cent as compared with 1967. Exports of rubber to Rumania at Rs. 10.1 million declined by Rs. 5.8 million or by 36 per cent.

1. The volume of dried chillies imported in 1968 amounted to 351.8 thousand cwts. as against 290.2 thousand cwts. in 1967 despite an increase in local production of 68 per cent.

Exports to the German Democratic Republic, increased by Rs. 4.2 million or by 53 per cent to Rs. 12.1 million and accounted for 7 per cent of total exports to the region. Exports of desiccated coconut increased by Rs. 5.1 million to Rs. 6.0 million while coconut oil at Rs. 6.1 million reflected a fall of Rs. 0.8 million as compared with the preceding year. Desiccated coconut and coconut oil constituted the only items of export from Ceylon to the German Democratic Republic in 1968. Exports to the Republic of Czechoslovakia at Rs. 3.9 million increased by Rs. 1.4 million or 56 per cent. Desiccated coconut at Rs. 2.1 million was the principal export item and accounted for 54 per cent of the exports from Ceylon to that country. Exports to the Socialist Federal Republic of Yugoslavia at Rs. 8.6 million reflected an increase of Rs. 5.4 million over 1967. Chief items of export to Yugoslavia were coconut oil Rs. 2.0 million and rubber Rs. 2.7 million. Exports to the People's Republic of Hungary at Rs. 2.4 million increased by Rs. 1.4 million over 1967. Exports of coconut oil at Rs. 1.1 million accounted for 46 per cent of the total exports to that country. Exports to the People's Republic of Bulgaria which accounted for Rs. 1.1 million in 1967 declined below Rs. 1 million in 1968. It may be noted that the area absorbed nearly 78 per cent of exports of cocoa in the year under review with U.S.S.R. accounting for 59 per cent of total exports from Ceylon. Likewise the region absorbed 24 per cent of total copra exports in 1968.

U.S.S.R., Poland, and Rumania were the principal suppliers of imports in 1968, accounting for Rs. 96.9 million or 54 per cent, Rs. 34.0 million or 19 per cent and Rs. 28.3 million or 16 per cent respectively, of total imports from the region. The total value of imports from the region at Rs. 179.7 million increased by Rs. 15.6 million or by 10 per cent. Sugar was the principal import item from U.S.S.R. and accounted for Rs. 34.1 million, which, however, recorded a decrease of Rs. 3.1 million or 8 per cent over 1967. Other important items of import from U.S.S.R. which increased were, tea chests by Rs. 3.7 million to Rs. 8.6 million and cement by Rs. 3.3 million to Rs. 6.4 million. Imports of petroleum products at Rs. 36.4 million, textiles at Rs. 3.3 million and iron and steel at Rs. 2.4 million recorded declines of Rs. 10.7 million, Rs. 0.8 million and Rs. 4.6 million respectively. Sugar was the major item of import from the People's Republic of Poland and at Rs. 21.4 million accounted for 63 per cent of the total imports from that country to Ceylon. Imports of textiles from the People's Republic of Poland at Rs. 7.2 million showed an increase of Rs. 5.5 million. Imports from the People's Republic of Bulgaria amounted to Rs. 5.2 million revealing an increase of Rs. 1.4 million over 1967. Imports of sugar accounted for Rs. 5.1 million. Imports from the Republic of Czechoslovakia amounted to Rs. 7.0 million a decline of Rs. 2.4 million or 26 per cent as compared with 1967. Imports from Czechoslovakia with the exception of textiles, which at Rs. 3.6 million increased by Rs. 2.5 million, registered declines. Imports from the People's Republic of Hungary at Rs. 3.5 million increased marginally by Rs. 0.1 million or 3 per cent. Imports from the German Democratic Republic at Rs. 1.4 million registered a sharp decline of Rs. 3.8 million or 73 per cent. Imports from the Socialist Federal Republic of Yugoslavia at Rs. 3.4 million declined by Rs. 4.4 million or by 56 per cent.

It may be noted that imports of sugar from the region as a whole at Rs. 60.6 million in 1968 amounted to nearly 62 per cent of the total value of sugar imported into the country. Likewise the area supplied 32 per cent of total imports of petroleum products, 43 per cent of total cement imports into the country, and 88 per cent of total imports of tea chests in 1968.

Bilateral Clearing Accounts

Table II(J) 15 gives the net aggregate quarterly position of bilateral clearing accounts maintained in terms of the Payments Agreements concluded by Ceylon with the People's Republic of China, the U.S.S.R. and certain countries in Eastern Europe and the Middle East.

The end of year position for 1968 indicates that the amounts due from Ceylon increased by Rs. 78.8 million as compared with the end of year position of the preceding year. This increase was confined to the group of countries 'China, U.S.S.R. and Eastern European countries.'

TABLE II (J) 15
Bilateral Clearing Accounts
Net Aggregate Quarterly Position of Accounts 1966 - 68

Rupees Million							
Net Position at end		China, U.S.S.R. and other Eastern European countries*		Middle East Countries**		Total	
		Credit	Debit	Credit	Debit	Credit	Debit
1966	March ..	-	49.3	-	13.2	-	62.5
	June ..	-	6.3	-	3.3	-	9.6
	September ..	-	27.7	-	1.8	-	29.5
	December ..	8.1	-	-	4.1	4.0	-
1967	March ..	3.3	-	-	2.4	0.9	-
	June ..	-	2.1	-	2.4	-	4.5
	September ..	42.7	-	-	3.8	38.9	-
	December ..	104.3	-	-	2.4	101.9	-
1968	March ..	146.8	-	0.9	-	147.7	-
	June ..	132.2	-	-	2.2	130.0	-
	September ..	163.9	-	-	5.9	158.0	-
	December ..	183.1	-	-	2.4	180.7	-

Source: Central Bank of Ceylon.

* Bulgaria, Czechoslovakia, German Democratic Republic, Hungary, Poland, Rumania, Yugoslavia (from March 1965) and Democratic People's Republic of Korea (from March 1965).

** United Arab Republic (upto November 1966), and Syria.

Note: Credit = Due from Ceylon.

Debit = Due to Ceylon.

Developments in Commercial Policy.**Export Control**

- (a) From January 1968 the period of private sales of tea (straight lines) outside the auction for shipment to U.S.A. and Canada was extended till the end of December 31, 1968. (Ceylon Government Gazette Nos. 14,783/1, 14,791/2, 14,799/2, 14,813/5 and 14,828/1).
- (b) From January 20, 1968—restrictions which confined the exports of chanks to Co-operative Societies only were withdrawn. Individual exporters are also permitted to export. (Ceylon Government Gazette Extraordinary No. 14,785/3).
- (c) I. July 15, 1968—The export from Ceylon of items given below on a commercial basis remains banned. (Ceylon Government Gazette Extraordinary No. 14,810/4).
1. Wild animals and parts thereof,
 2. Ferrous and non-ferrous metal scrap, metal residue, ash and dross. The licences for the export of certain items of non-ferrous metal scrap may be obtained only on the recommendation from the Director, Industrial Development, Ministry of Industries.
 3. Waste Paper
 4. Bees Wax
 5. Coconut Poonac
 6. Coffee
 7. Empty bottles
 8. Empty gunny bags. The export of empty gunny bags in which fertilizer and animal food have been imported may, however, be allowed on licence.
 9. Gingelly seed, kapok seed and cotton seed
 10. Rice
 11. Used tyres and tubes
 12. Ebony timber
 13. Tortoise shell

- (c) II. The following items of export are under control and relevant information as regards export licences are given against each item.

Items	Permits or recommendation & other stipulation from	Licences issued by
1. Tea	—	Commissioner of Tea Exports
2. Tea seed, root, or bud of any tea plant or cutting	—	Tea Controller
3. Copra, desiccated coconut and coconut oil	—	Ceylon Coconut Board
4. Rubber (sheet rubber only)	—	Commissioner of Commodity Purchase
5. Rubber seed, root, bud or cutting from any rubber plant	—	Rubber Controller

Items	Permits of recommendation & other stipulation from	Licences issued by
6. Papain	Quality certificate from Public Analyst	Controller of Imports & Exports
7. Coir Fibre	Subject to special condition laid down from time to time	Controller of Imports & Exports
8. Gems and precious stones	Cut and polished only	Controller of Imports & Exports
9. Seed Coconuts	Recommendation from Ministry of Agriculture	Controller of Imports & Exports
10. Orchids-viz., Wesak, Anuradhapura Primrose, Foxtail & daffodil	Recommendation from Warden, Wild Life Department	Controller of Imports & Exports
11. Western Drugs and Pharmaceutical products	Recommendation from Director of Health Services	Controller of Imports & Exports
12. Satin timber	Recommendation from Conservator of Forests	Controller of Imports & Exports
13. Antiquities	Permits from Commissioner, Archaeological Department	Controller of Imports & Exports
14. Minerals (other than plumbago and mica)	Recommendation from Director of Geological Survey	Controller of Imports & Exports
15. Beche-de-mer	Recommendation from Director of Fisheries	Controller of Imports & Exports
16. Chanks	Recommendation from Director of Fisheries	Controller of Imports & Exports
17. Amber	Recommendation from Director of Industrial Development, Ministry of Industries	Controller of Imports & Exports
18. Hides (buffalo, cow, goat and sheep)	Recommendation from Director of Industrial Development, Ministry of Industries	Controller of Imports & Exports
19. Medicinal leaves	Recommendation from Commissioner of Ayurveda	Controller of Imports & Exports

The export of all other items of local manufacture is freely permitted without export licence.

Import Control

The year 1968 witnessed a major change in the import Control licensing procedure. The measures adopted were towards liberalisation of import restrictions imposed during the years preceding that under review. With the introduction of the Foreign Exchange Entitlement Certificate Scheme on May 6, 1968, the earlier import control licensing procedures ceased to operate and new import control arrangements came into effect. Under the new import procedures published in the Ceylon Government Gazette as Import Control Notice No. 2/68, import items are divided into 'A' category and 'B' category. Imports for which foreign exchange will be released against import licences which need not be supported by Foreign Exchange Entitlement Certificates are referred to as category 'A' imports. Imports for which foreign exchange will be released against import licences (individual and Open General) which need to be supported by Foreign Exchange Entitlement Certificates are referred to as Category 'B' imports.

Category 'A' Imports

- (i) Goods which may be imported by the trade in category 'A' are listed in Schedule I of Import Control Notice No. 2/68 (Ceylon Government Gazette Extraordinary No. 14,800/3 and as subsequently amended).
- (ii) Import licences will be given to registered importers who may be granted quotas (Please see I.C.N. No. 4/68 of May 5th, 1968, regarding registration of importers).
- (iii) Special actual user licences for any group or class of industries for category 'A' imports may be issued at the instance of the Ministry of Industries and Fisheries.
- (iv) Certain government and semi-government agencies and corporations will be permitted to import in the 'A' category.
- (v) No licence fee will be levied on these imports.

Category 'B' Imports

- (i) Imports within this category will be permitted either—
 - (a) against Individual Import Licences; or
 - (b) on Open General Licence
- (ii) Goods which may be imported by the Trade under individual import licences are described in Schedule II of Import Control Notice No. 2/68 (Ceylon Government Gazette Extraordinary No. 14,800/3 and as subsequently amended). Actual User Import Licences for imports permissible under this category will be issued at the instance of the Ministry of Industries and Fisheries or the Ministry of Home Affairs.
- (iii) Goods which may be imported on Open General Licence are specified in Schedule III of Import Control Notice No. 2/68 (Ceylon Government Gazette Extraordinary No. 14,800/3 and as subsequently amended).
- (iv) (a) Import Licences for trade will be given to registered importers who may be granted quotas for items in Schedule II. (b) Importers registered with the Department of Imports and Exports and Industrialists registered by the Ministry of Industries and Fisheries may import these items listed in Schedule III under Open General Licence.
- (v) No licence fee will be levied in respect of these imports.
- (vi) Foreign Exchange for category 'B' imports will be released by commercial banks against Foreign Exchange Entitlement Certificates issued on the authority of the Central Bank (Vide Ceylon Government Gazette Extraordinary No. 14,800/3 of May 5, 1968).

Changes in the 'A' and 'B' category imports have been notified in the Government Gazette Extraordinary Nos. 14, 803/7 of May 31, 1968 and 14,824/1 of October 19, 1968.

If any goods listed in Schedule III of Import Control Notice No. 2/68 are to be imported under foreign aid or loan agreements, special aid licences, which need not be supported by Foreign Exchange Entitlement Certificates will be

issued. These licences will, however, bear a licence fee of 15 per cent as prescribed by Regulation No. 2. of the Import Licensing (Levying of Fees) Regulation, 1968.

Foreign Exchange Budget

The foreign exchange budget as an instrument of resource allocation covering all items of imports continued to be in operation upto the introduction of the Foreign Exchange Entitlement Certificate Scheme in May 1968. With the introduction of the Foreign Exchange Entitlement Certificate Scheme and the concomitant liberalisation of a wide band of import items under Open General Licences, the controls previously exercised by the foreign exchange budget as an allocative mechanism were partially dispensed with. In formulating the foreign exchange budget for 1968 two important policy measures were taken into consideration, viz., the devaluation of the Ceylon rupee in November 1967, and the introduction of the Foreign Exchange Entitlement Certificate Scheme in May 1968. The sources of finances were, export receipts of 1968, commodity aid arrivals expected in 1968, including the spill-over of aid negotiated in 1965, 1966 and 1967.

For the first half of 1968 import allocations were released on the basis of a draft foreign exchange budget which had been drawn up with a financing gap for 1968 which conformed to the estimate presented to the Aid Ceylon Group by the IBRD. Most of the licences had been drawn against these allocations and commitments made at the time the FEEC Scheme was launched on 6th May, 1968.

With effect from 6th May, 1968, all payments and receipts were divided into two categories. In the first (A Category), foreign exchange receipts do not qualify for foreign exchange entitlement certificates, and likewise foreign exchange payments in respect of 'A' category items do not require the surrender of certificates. In the second (B category), receipts qualify for foreign exchange entitlement certificates, while payments require the surrender of certificates.

The main commodities which have been included in A category are food-stuffs, drugs, fertilizers, fuels and lubricants, imports of Government departments, local bodies and other Government and semi-Government Agencies. These items were included in A category as they are basic cost of living items or items imported by institutions which provide basic services such as health and transportation.

Items which could be imported under Open General Licence were Gazetted on 5th May 1968 and subsequently revised to include several new items.¹ All other

1. Government Gazette Extraordinary Nos. 14,800/3 of 5th May, 1968, 14,803/7 of 31st May, 1968 and 14,824/1 of 19th October, 1968.

imports, classified in the B Category, require licences issued by the Controller of Imports and Exports or the Ministry of Industries and Fisheries. Table II (J) 16 provides data on licences issued in 1967 and 1968.*

TABLE II (J) 16
Import Programme 1968 & Comparative Data for 1967*

Rupees Million				
	Licences issued in 1967	Licences issued in 1968		Total
		A Category	B Category	
Food Commissioner's imports ..	581	704	Nil	704
Other Foodstuffs ..	253	281	10	291
Textiles ..	65	43	26	69
Fertilizers ..	101	132	Nil	132
Petroleum Products ..	152**	202†	11	213
Drugs ..	17	20	Nil	20
Cement ..	15	13	14	27
Government departments ..	203	216	Nil	216
Non - industrial Corporations ..	68	132	3	135
Private sector industries and fisheries } ..	305	262	136	398
Cottage industries and Co-operatives }				
Industrial Corporations ..	97	100	202(a)	302
Other trade quota items ..	185	100	33	133
Direct User items ..	70	51	200(b)	251
Total ..	2,112	2,256	635	2,891

Source: Ministry of Planning and Economic Affairs.

* The data for 1967 and 1968 are not comparable. In comparing the data for these two years, allowance should be made for the devaluation of the Ceylon Rupee in November 1967 and the inclusion of OGL items in the data for 1968.

** Includes Rs. 48 million on a "no exchange basis" for the import of marine and aviation fuels.

† Includes Rs. 71 million on a "no exchange basis" for the import of marine and aviation fuels.

(a) Includes Letters of Credit opened for Rs. 135 million for the import of raw materials listed under Open General Licence.

(b) Includes Letters of Credit opened for Rs. 173 million for the import of OGL items.

The total value of licences issued for imports in 1968 (inclusive of letters of credit opened for the import of OGL items) amounted to Rs. 2,891 million and was Rs. 779 million higher than the value of licences issued in 1967. This increase in the value of licences was partly the result of a revaluation of licences because of the devaluation of the Ceylon Rupee in November 1967 and partly the result of a revalidation of licences issued for imports in 1967 for use in 1968 amounting to Rs. 110 million.

* The data for 1967 and 1968 are not comparable. In comparing the data for these two years, allowance should be made for the devaluation of the Ceylon Rupee in November 1967 and the inclusion of OGL items in the data for 1968.

In 1968 licences issued to A category imports amounted to Rs. 2,256 million or 78 per cent of the total value of licences issued, while in the case of B category imports, it amounted to Rs. 635 million or 22 per cent. In the second category, letters of credit have been opened to the value of Rs. 135 million for the import of raw materials by Industrial State Corporations. The following Table gives the value of imports during 1968 under the four commodity aid programmes.

TABLE II (J) 17
Commodity aid Programme - Arrivals 1968

Rupees Million											
	Consumer goods under programme					Intermediate & Investment goods under programme					Grand Total
	I	II	III	IV	Total	I	II	III	IV	Total	
Australia ..	-	-	1.11	3.79	4.90	-	-	0.61	0.97	1.58	6.48
Germany, Fed. Republic of ..	-	-	-	0.92	0.92	-	12.76	11.02	1.81	25.59	26.51
India ..	-	-	-	-	-	-	-	6.43	-	6.43	6.43
Japan ..	-	-	0.61	-	0.61	-	6.33	21.74	-	28.07	28.68
France ..	-	0.14	-	-	0.14	-	12.65	-	-	12.65	12.79
U. K.	-	-	-	-	-	3.36	12.68	37.43	2.40	55.87	55.87
U. S. A. ..	0.03	57.56	49.87	-	107.46	1.81	15.13	-	-	16.94	124.40
Canada ..	-	-	...	11.00	11.00	0.09	1.50	0.41	-	2.00	13.00
Total ..	0.03	57.70	51.59	15.71	125.03	5.26	61.05	77.64	5.18	149.13	274.16

Source : Ministry of Planning and Economic Affairs

In 1968 the total value of commodity aid arrivals under the four programmes amounted to Rs. 274.16 million, of which Rs. 149.13 million or 54.5 per cent consisted of intermediate and investment goods, while Rs. 125.03 million or 45.5 per cent comprised consumer goods. The major share of the aid arrival totalling Rs. 129.23 million was under the third programme, while the arrivals under first, second and fourth programmes were Rs. 5.29 million, Rs. 118.75 million and Rs. 20.89 million respectively. Eight countries provided aid under the four programmes.

Table II(J) 18 shows the value of aid arrivals in 1968, classified according to commodities. In the intermediate and investment goods group, fertilizer, industrial raw materials and machinery, and commercial vehicles constituted the major part of the arrivals and their shares in the total value of aid arrivals in 1968 were 22.7 per cent, 9.2 per cent and 8.2 per cent respectively. Wheat flour and tyres and tubes constituted the chief items under the aid arrivals in the form of consumer goods and their shares in the total value of aid arrivals in 1968 were 42.2 per cent and 1.9 per cent respectively.

TABLE II (J) 18

Aid Arrivals in 1968-Commodity-wise

Commodities	Value Rs. Mn.	Percentage shares
Intermediate & Investment Goods		
Fertilizer	62.32	22.7
Industrial raw materials and machinery	25.25	9.2
Tractors and Spares	6.28	2.3
Other machinery and spares	1.81	0.7
Commercial vehicles	22.47	8.2
Building materials	3.83	1.4
Engineering Stores	2.17	0.8
Paper and Newsprint	0.41	0.2
Marine Engines	0.61	0.2
Base Metal	0.02	...
Other Imports of Government departments and Corporations	13.37	4.9
Other equipment for private sector	1.37	0.5
Motor Spares	7.37	2.7
Seed Potatoes	0.53	0.2
Feasibility Studies	0.43	0.2
Sugar Cultivation equipment	0.89	0.3
Total	149.13	54.5
Consumer Goods		
Wheat flour	115.78	42.2
Yellow Corn	2.99	1.1
Tyres and Tubes	5.34	1.9
Drugs	0.55	0.2
Milk foods	0.37	0.1
Total	125.03	45.5
Grand total	274.16	100.0

Source: Ministry of Planning and Economic Affairs

Tariffs

The following changes were made in export and import duties during the course of the year.

Export Duties

8. 5. 1968 — Export duty on packeted tea was reduced by 15 cents. per pound to 25 cents per pound. The net weight in each packet should not exceed 2.20 pounds or 1 kilogram and the wrapper, canister or carton or outer cover in which the packet of tea is enclosed should be marked clearly with the words "Pure Ceylon Tea packed in Ceylon". (Ceylon Government Gazette No. 14,813/9).
9. 10. 1968 — Export duty of 40 cents per pound on instant tea was abolished. (Ceylon Government Gazette Extraordinary No. 14,822/4).
16. 11. 1968 — Export duty of 5% ad valorem on precious and semi-precious stones was abolished. (Ceylon Government Gazette Extraordinary No. 14,828/1).

Import Duties

3. 8. 1968 — A new Customs Tariff based on the Brussels Nomenclature was introduced with effect from 3rd August replacing the Customs Tariff based on S.I.T.C. Under the new tariff system all categories of imports are specifically classified, and the import duties have been standardised on the following basis:

- (a) Duty free: Food-stuffs, chemicals, essential consumer goods, industrial and agricultural machinery.
- (b) 10% preferential and 20% general: Non-essential items.
- (c) 50% and 60% range—Duties imposed mostly for Government revenue purpose on items such as photographic goods, electrical lighting and signalling equipment, microphones etc.
- (d) 100%—Protective rates—Duties imposed on certain OGL items, in order to prevent over importation or to protect local industries.
- (e) Upto 300%—Prohibitive rates. On items such as liquor, tobacco, luxury vehicles etc.

Trade Agreements¹

Socialist Republic of Rumania

An Agreement on economic and technical co-operation with the Socialist Republic of Rumania, within the framework of the Trade and Payments Agreement of March 16, 1956, was signed on February 9, 1968. In terms of this Agreement, Ceylon agrees to supply Ceylonese goods required for the Rumanian economy in return for capital goods, services and technical assistance provided by Rumania. In an exchange of letters that took place on the same day, it was agreed that Ceylon should endeavour to supply the Socialist Republic of Rumania with 10,000 tons of rubber annually during the period 1968 to 1975. The actual quantity to be shipped in any one year and the terms and conditions of shipment are to be agreed upon at the beginning of the year by the two parties.

U.S.S.R.

An agreement effective from January 1, 1969, was concluded with the U.S.S.R. on August 4, 1968, relating to mutual deliveries of goods during the years 1969 and 1970. These deliveries were to be effected in terms of the provisions of the Trade and Payments Agreement of February 8, 1958.

¹ Besides the Trade Agreements discussed in this section, Ceylon continued to have Trade and/or Payments Agreements with a number of other countries.